LEKWA TEEMANE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2015

General Information

Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P. O. Box 13 Christiana 2680
Bankers	Absa Bank
Auditors	Auditor-General of South Africa Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the Lekwa-Teemane Local Municipality's Council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
FMG	Finance Management Grant
MSIG	Municipal System Improvement Grant
CoGTA	Department of Co-operative Governance & Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on five services that generate revenue namely rates, water, electricity, refuse and sanitation. It also gets equitable share from the government, which constitutes about 20% of its total income. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality's operations.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their will be presented based on their review.

The annual financial statements set out on pages 7 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2015.

Accounting Officer
Mr Ndoda Mgengo

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Finance Management Act no.56 of 2003 and Municipal Systems Act No.32 of 2000. and operates principally in South Africa.

The operating results for the year were not satisfactory for the following reasons:

The municipality's contribution towards total income increased marginally as shown in the analysis below.

Proportion of income generated/raised

2015

Type of Income	Proportion of contribution to income	Amount
Service charges	45 %	114 394 512
Property rates	5 %	12 538 328
Grants and Subsidies	24 %	60 838 879
Traffic fines	11 %	30 223 400
Rental of facilities	1 %	763 088
Other income	14 %	34 838 442

2014

Type of Income	Proportion of contribution to income	Amount
Service charges	43 %	109 423 437
Property rates	5 %	13 151 617
Grants and subsidies	21 %	51 841 506
Traffic fines	10 %	28 558 537
Rental of facilities	1 %	958 938
Other income	19 %	48 941 554

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a deficits of R35 260 748 (2014: R35,767,324) and current liabilities exceeded current assets by R188,735,976 (2013: R157,265,190). The municipality has a going concern challenge. However the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus, the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations for the municipality.

3. Subsequent events

There were no significant subsequent events.

4. Accounting Officer & Other Relevant Officials's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretation and directives.

Accounting Officer's Report

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 56 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Dr. Ruth Mompati District Municipality must appoint members of the shared Audit Committee. Thus, more information with regards to the composition of the shared audit committee, its operations and sub-committees should be covered in the district municipality's' annual financial statements.

Internal audit

The municipality has a shared internal audit function, based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003, as it is a permitted arrangement.

Accounting Officer's Report

7. Interest in controlled entities

Name of controlled entity	Country of incorporation if not the RSA	Net Assets
Lekwa Teemane Development Agency (Pty) Ltd		(147 609)

The controlled entity is currently in the Establishment Phase. Major operations will commence as soon as the Establishment Phase is complete. However, engagements with the various stakeholders (for various transactions relating to the Agency's operations) are taking place.

Details of the municipality's investment in controlled entity are set out in note 7.

8. Bankers

The municipality's bankers did not change during the current year.

9. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality as it is a Constitutional Mandate for them to do so.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
ASSETS			
Current Assets			
Inventories	12	867 118	850 187
Other financial assets	8	70 304	64 707
Traffic fines receivable	9	3 439 391	558 381
Trade and other receivables (exchange transactions)	13	217 389	1 168 100
Receivables from non-exchange transactions	14	2 300 558	2 154 080
VAT receivable	15	6 235 482	-
Consumer debtors (exchange transactions)	16	28 397 696	38 507 193
Money Market Investments	11	1 719 326	1 997 812
Cash and cash equivalents	17	-	1 735 276
		43 247 264	**47 035 736**
Non-Current Assets			
Investment property	4	25 872 289	23 409 054
Property, plant and equipment	5	652 234 336	657 810 061
Intangible assets	6	663 330	909 058
Investments in controlled entities	7	20 100	20 100
		678 790 055	**682 148 273**
TOTAL ASSETS		**722 037 319**	**729 184 009**
LIABILITIES			
Current Liabilities			
Other Interest & Non-Interest Bearing Liabilities	18	5 719 415	9 794 799
Finance lease obligation	19	700 530	606 796
Trade and other payables (exchange transaction)	22	216 550 157	182 665 190
VAT payable		-	4 139 526
Consumer deposits	24	1 101 157	997 013
Employee benefit obligation	10	761 000	732 000
Unspent conditional grants	20	6 761 678	5 365 602
Bank overdraft	17	389 303	-
		231 983 240	**204 300 926**
Non-Current Liabilities			
Finance lease obligation	19	2 375 090	306 245
Employee benefit obligation	10	21 983 000	19 853 000
Provisions	21	10 397 829	9 609 842
		34 755 919	**29 769 087**
TOTAL LIABILITIES		**266 739 159**	**234 070 013**
NET ASSETS		**455 298 160**	**495 113 996**
NET ASSETS			
Accumulated surplus		455 298 160	495 113 996

* See Note 2 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	27	114 394 512	109 423 437
Rental of facilities and equipment		785 372	958 938
Licences and Permits		1 899 171	2 081 382
Interest on debtors		23 312 642	19 021 446
Fair Value Adjustments		2 358 832	1 625 709
Sundry Income		2 815 757	1 057 574
Insurance Claims		4 175 308	-
Interest received - investment	35	277 621	229 241
Total revenue from exchange transactions		**150 019 215**	**134 397 727**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	12 538 328	13 151 617
Transfer revenue			
Government grants & subsidies	28	60 838 879	51 841 506
Traffic Fines		30 223 400	28 558 536
Total revenue from non-exchange transactions		**103 600 607**	**93 551 659**
Total revenue	25	**253 619 822**	**227 949 386**
Expenditure			
Employee related costs	32	(48 245 391)	(47 337 402)
Remuneration of councillors	33	(4 254 254)	(4 467 796)
Depreciation and amortisation	36	(28 316 662)	(29 904 945)
Finance costs	37	(1 146 187)	(178 108)
Debt Impairment	34	(87 267 875)	(80 996 045)
Sundry expenses		(9 080 386)	(8 270)
Repairs and maintenance		(5 170 261)	(4 823 726)
Bulk purchases	40	(54 874 339)	(51 012 080)
Contracted services	39	(6 834 346)	(6 845 190)
General Expenses	30	(43 690 869)	(38 143 148)
Total expenditure		**(288 880 570)**	**(263 716 710)**
Operating deficit	31	**(35 260 748)**	**(35 767 324)**
Deficit for the year		**(35 260 748)**	**(35 767 324)**

* See Note 2 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	515 467 137	515 467 137
Adjustments		
Correction of previous years errors	4 235 745	4 235 745
Prior year adjustments (Note 45)	11 178 438	11 178 438
Restated Balance at 01 July 2013	**530 881 320**	**530 881 320**
Changes in net assets		
Surplus for the year	(35 767 324)	(35 767 324)
Total changes	(35 767 324)	(35 767 324)
Restated Balance at 01 July 2014	**495 113 996**	**495 113 996**
Changes in net assets		
Surplus for the year	(35 260 748)	(35 260 748)
Other Adjustments (Note 45)	(4 555 088)	(4 555 088)
Total changes	(39 815 836)	(39 815 836)
Balance at 30 June 2015	**455 298 160**	**455 298 160**

Note(s)

Correction of Previous Years Errors

The adjustment relates to amounts that were carried over from previous years as creditors but could not be supported and have not been claimed by the respective service providers after consultations and detailed reconcilliations the amounts were therefore recorded in error.

* See Note 2 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers		125 391 228	95 160 123
Grants		62 234 955	55 307 800
Investment Income		277 621	229 241
		187 903 804	150 697 164
Payments			
Employee costs		(53 649 362)	(51 930 387)
Suppliers		(82 400 895)	(40 223 270)
Finance costs		(1 146 187)	(178 108)
Other payments		(29 937 587)	(43 429 393)
		(167 134 031)	(135 761 158)
Net cash flows from operating activities	41	**20 769 773**	**14 936 006**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(22 564 210)	(13 879 829)
Purchase of other intangible assets	6	(35 999)	(42 936)
Proceeds from sale of money market investments		278 486	5 101 690
Net cash flows from investing activities		**(22 321 723)**	**(8 821 075)**
Cash flows from financing activities			
Repayment of other interest & non-interest bearing liabilities		(4 075 384)	(382 403)
Finance lease payments		3 502 755	(1 815 921)
Net cash flows from financing activities		**(572 629)**	**(2 198 324)**
Net increase/(decrease) in cash and cash equivalents		**(2 124 579)**	**3 916 607**
Cash and cash equivalents at the beginning of the year		1 735 276	(2 181 331)
Cash and cash equivalents at the end of the year	17	**(389 303)**	**1 735 276**

* See Note 2 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	107 528 323	1 264 985	**108 793 308**	114 394 512	**5 601 204**	This was mainly casused by the fact the budgeted consumption units were slightly higher lower than the actual units consumed.
Rental of facilities and equipment	845 152	-	**845 152**	785 372	**(59 780)**	The under collection was mainly caused by the fact that the rental of farms was regularised during the year and accounts for lessees were maintained and levied during the year
Administration and management fees received	2 635 000	-	**2 635 000**	1 899 171	**(735 829)**	The variance was mainly caused by the fact that the licencing office upgrade and operation of the new testing centre were delayed due to logistical reasons
Other income 1	18 191 240	4 423 760	**22 615 000**	23 312 642	**697 642**	Difference is due to an increase in customers not settling their debts on time
Other income 2	-	-	**-**	2 358 832	**2 358 832**	There was an error in not budgeting for the amount
Financial instruments - Fee income	5 244 762	(3 421 377)	**1 823 385**	2 815 757	**992 372**	There was an increase in revenue from

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Other income 3	4 000 000	-	**4 000 000**	4 175 308	**175 308**	The actual claims made were more than anticipated due to unseen damages to property
Interest received - investment	23 170	-	**23 170**	277 621	**254 451**	Diffrernce is due to improved cash management and increases in fines collected
Total revenue from exchange transactions	**138 467 647**	**2 267 368**	**140 735 015**	**150 019 215**	**9 284 200**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 261 029	800 971	**14 062 000**	12 538 328	**(1 523 672)**	There was a reduction due to adjustments made for prior year errors and the prior year amounts were used as a basis for the current year budget
Transfer revenue						
Government grants & subsidies	73 598 460	1 264 000	**74 862 460**	60 838 879	**(14 023 581)**	Difference is due to projects that could not be finalised by year end due to logistical reasons and hence revenue not recognised
Fines, Penalties and Forfeits	7 801 689	-	**7 801 689**	30 223 400	**22 421 711**	Difference was due to adoption of IGRAP 1 which requires traffic fines to be recorded on a an accrual basis
Total revenue from non-exchange transactions	**94 661 178**	**2 064 971**	**96 726 149**	**103 600 607**	**6 874 458**	
Total revenue	**233 128 825**	**4 332 339**	**237 461 164**	**253 619 822**	**16 158 658**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(57 005 063)	2 801 712	**(54 203 351)**	(48 245 391)	**5 957 960**	A number of the budgeted positions were not filled due to the cash flow problems.
Remuneration of councillors	(3 952 546)	(219 999)	**(4 172 545)**	(4 254 254)	**(81 709)**	The approved increase in the Councillor Remuneration was slightly lowerr than the approved limits.
Depreciation and amortisation	(14 055 914)	(20 594 086)	**(34 650 000)**	(28 316 662)	**6 333 338**	Difference is due to old assets that are still in good working condition though they are becoming fully depreciated
Finance costs	(2 060 681)	1 630 881	**(429 800)**	(1 146 187)	**(716 387)**	The interest paid on operating leases accounted for as finance leases was more than the anticipated amounts
Bad debts written off	(36 881 309)	(9 373 691)	**(46 255 000)**	(87 267 875)	**(41 012 875)**	
Collection costs	(136 392)	-	**(136 392)**	(9 080 386)	**(8 943 994)**	
Repairs and maintenance	(13 864 507)	3 314 758	**(10 549 749)**	(5 170 261)	**5 379 488**	Regular replacement of pumps as well as scheduled servicing of assets in the prior years has reduced the maintenance of assets

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Bulk purchases	(54 263 327)	(5 812 633)	**(60 075 960)**	(54 874 339)	**5 201 621**	The anticipated purchases were significantly less than anticipated due to monitoring of distribution losses
Contracted Services	(10 939 391)	4 234 391	**(6 705 000)**	(6 834 346)	**(129 346)**	Acceptable variance
General Expenses	(53 654 291)	(23 156 152)	**(76 810 443)**	(43 690 869)	**33 119 574**	Difference is due to improved cost management and cash management
Total expenditure	**(246 813 421)**	**(47 174 819)**	**(293 988 240)**	**(288 880 570)**	**5 107 670**	
Deficit before taxation	**(13 684 596)**	**(42 842 480)**	**(56 527 076)**	**(35 260 748)**	**21 266 328**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(13 684 596)**	**(42 842 480)**	**(56 527 076)**	**(35 260 748)**	**21 266 328**	
Reconciliation						
Basis difference						
				(21 138 966)		The differences between the budgeted and the actual amount are due to the basis of determining the budget amounts.
Actual Amount Per Budget				**(56 399 714)**		

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Accounting Policies

1.2 Statements and Interpretations Not Yet Effective

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity’s net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority’s share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Accounting Policies

1.2 Statements and Interpretations Not Yet Effective (continued)

GRAP Standards

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 105 - Transfer of Functions Between Entities Under Common Control;
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control;
- GRAP 107 - Mergers;
- GRAP 20 - Related Party Disclosures.

GRAP 18, 21, 23, 24, 26, 103 and 104 are effective for financial periods beginning on or after 1 April 2012. The municipality plans to implement these standards for the financial periods beginning 1 July 2012, in line with the stated transitional arrangements. At this moment, the impact of the adoption of these standards is not known and cannot be reasonably estimated as the input data is not readily available. Further, the accounting policies will also be amended accordingly.

Regarding GRAP 105, 106, 107, 20 and 25, there are not effective dates as yet as the Minister of Finance has not yet determined the effective dates. The nature of the impending changes, when the municipality intends to adopt them and the likely impact on the financial statements will be discussed or determined when the Minister of Finance determines the effective date.

Detailed Disclosure of these Standards, those that were implemented for the first time during the current year as well as those that were adopted early is done in Annexture A.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period:

Impairment of trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether the observable data indicate a measurable decrease in the estimated future cash flows from a financial asset. The calculation is primarily based on the collection rate of the amount due per type of debtors, as required by GRAP Standards.

Available-for-sale financial assets

The municipality follows the guidance of GRAP Standards to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade and other receivables are assumed to approximate their fair values.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality tests the carrying value of assets for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply, demand, together with economic factors such as interest and inflation rates.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Post retirement medical aid benefit

The cost of post retirement medical aid benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Additional information is disclosed in Note 10.

Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows, where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data.

Classification as investment property

The municipality regularly reviews its property portfolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the Carrying Value of Items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and/or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully complied with GRAP 17, to determine the value of the assets where the cost amounts were not available, management used the current market values of similar assets and adjusted that using condition assessment. Condition assessment was based on managements' judgement.

Water Inventory and Cost of Purefying Water

Water Inventory: The amount of water in the municipality's reservoirs is based on management judgement. Management make use of engineers to perform these estimates.

Cost of Purifying Water: This is also based on management judgement by reference to the market researches available, adjusted by inflation rates (CPI), if the research was conducted more than a year ago.

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. For asset that were acquired at the latter of 30 June 2012 and adoption of GRAP Standards, cost was based on the Net Replacement Cost of the assets as at 30 June 2012 plus backlog depreciation upto 30 June 2009, when the GRAp Standards were adopted for the first time.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment .

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment , the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment , where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment . In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment .

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment . Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Accounting Policies

1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows, depending on whether the assets were acquired subsequent to 30 June 2012 or not. Those acquired prior to 30 June 2012 or actual cost could not be obtained and costs was based on Net Replacement Costs, they are defined as "Existing Assets" while those acquired after 30 June 2012 are defined as "New":

Item	Average useful life
Land	Not Applicable (as it is not depreciated).
Infrustructure	
• Storm Water Networks	3 - 50
• Traffic Management	2 - 50
• Structures	7 - 80
• Road Furniture	1.5 - 15
• Electricty: Connectivity	7 - 40
• Electricity: LV Networks	2 - 40
• Electricity: MV Networks	2 - 40
• Electricty: Public Lighting	2 - 40
Leasehold property	
• Buildings	30
• Recreational facilities	20 - 35
• Security	5

Accounting Policies

1.5 Property, plant and equipment (continued)

Plant and machinery

• Buildings	30
• Specialist vehicles	5 - 20
• Other vehicles	5 - 7
• Office Equipment	3 - 7
• Furniture and Fittings	3 -10
• Plant and Machinery	2 - 7
• Leased assets	3 - 7

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment . The estimated cost to rehabilitate the landfill sites is performed by qualified engineers, using various assumptions. A provision is then made using those costs. The related cost can either be measured at cost or using the revaluation model.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life

Accounting Policies

1.7 Intangible assets (continued)

Computer software, other	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1.9 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterpart has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and Other Receivables (exchange and non-exchange)	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Instruments	Financial asset measured at amortised cost
Other Financial Assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and Other Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

Financial assets measured at cost: If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plan and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.11 Inventories

Inventories, which consists of consumables, water and stands for sale, are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.11 Inventories (continued)

Stands for Sale, Water Inventory and Meters

The municipality changed its accounting policy for inventories in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 12. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and inventories has accordingly been recognised at provisional amounts, as disclosed in 12.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.12 Going Concern Assumptions

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Accounting Policies

1.12 Going Concern Assumptions (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of Property, Plant and Equipment

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.13 Impairment of Property, Plant and Equipment (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of Property, Plant and Equipment (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for any asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Incomplete Construction Work (Work In Progress)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incurred to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

1.16 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programs are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.16 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement medical aid benefit upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.17 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Long Service Award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefits that employees have earned in return for their service in the current and prior periods less an amounts paid during the current period. The benefit is discounted to determine its present value.
e municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.18 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximated the consideration received or receivable.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, trade discounts, returns and volume rebates.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties, dividends , Service Charges, Prepaid Electricty & other income

Interest earned on investments is recognised on a time proportion basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period. .

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The inflow of resources from a non-exchange transaction shall be recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are recognised as revenue and as an ssset when the recognition criteria is met.

1.20 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.21 Pre-paid electricty

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:
- During the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low.
- The municipality calculates the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of the May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for the significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus, exceptional items are adjusted for.
- The resultant reasonable average consumption rate is used as an estimate for the consumption of pre-paid electricity for the month of June. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consumption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

1.22 Finance income and expenses

Finance income is recognised on a time-proportion basis using the effective interest method. It is recognised as it accrues in the surplus or deficit for the year. Dividend income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets.

1.23 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division or permitted by the MFMA.

Accounting Policies

1.24 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted fopr as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it it is treated as a receivable until it is written off as irrecoverable.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.28 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality uses the Workman's Compensation Fund to cover for such challenges.

1.29 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.32 Donations and contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Accounting Policies

1.33 Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2015 is as disclosed in the notes to the financial statements and shown below:

3. New standards and interpretations

3.1 Standards and interpretations early adopted

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.2 Standards and interpretations issued, but not yet effective as well as effective and adopted in the current year.

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 872 289	-	25 872 289	23 409 054	-	23 409 054

Reconciliation of investment property - 2015

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	23 409 054	110 000	2 353 235	25 872 289

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	21 993 926	1 415 128	23 409 054

Pledged as security

No investment properties are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Investment property (continued)

Details of valuation

The effective date of the market values was 30 June 2015. The determination of the market values were performed by an independent valuer, DDP Valuers [a Professional Valuer, registered with the South African Council for the Property Valuers Professions]. DDP valuers is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. The process to determination of market values took into account the following assumptions, among other things, (a) selling prices of similar recent property sales in Christiana, (b) age and current condition of the buildings, (c) use of the building, (d) existing current lease agreement in place, (e) discount rate in line with the municipality estimated cost of borrowings and (f) any other key assumptions assumptions deemed necessary

The property is ERF No. 745 and is about 2 855 square metres in extent. It is currently being leased out to the Provincial Government.

There are no restrictions on the realisability of the investment property or the remittance of revenue generated by investment properties. Valuations were done by an independent sworn appraiser.

Amounts recognised in surplus and deficit for the year.

	2015	2014
Rental revenue from investment property	763 088	958 935
Fair value adjustment	2 353 235	1 415 128

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	147 972 546	-	147 972 546	148 032 546	-	148 032 546
Buildings	8 116 000	(1 107 133)	7 008 867	8 166 000	(841 600)	7 324 400
Plant and Machinery	6 584 069	(2 485 410)	4 098 659	6 143 654	(1 818 007)	4 325 647
Furniture and fixtures	1 674 300	(718 426)	955 874	1 658 300	(513 427)	1 144 873
Motor vehicles	8 720 217	(7 361 750)	1 358 467	8 314 037	(6 140 850)	2 173 187
Office equipment	10 040 603	(7 400 038)	2 640 565	7 096 236	(6 338 202)	758 034
Computer equipment	1 487 449	(692 302)	795 147	1 193 249	(443 836)	749 413
Community	11 475 151	(1 326 287)	10 148 864	11 475 151	(968 449)	10 506 702
Connections	5 837 730	(1 474 535)	4 363 195	5 837 730	(1 228 779)	4 608 951
LV Networks	37 870 661	(6 872 170)	30 998 491	32 050 813	(5 693 590)	26 357 223
MV Networks	42 486 697	(10 786 303)	31 700 394	42 486 697	(8 988 586)	33 498 111
Public Lighting	7 845 749	(2 329 727)	5 516 022	7 845 749	(1 941 439)	5 904 310
Carriage Way	437 366 442	(102 172 572)	335 193 870	430 814 972	(84 937 848)	345 877 124
Road Furniture	42 027	(18 976)	23 051	42 027	(15 814)	26 213
Storm Water Networks	48 139 142	(10 715 234)	37 423 908	48 139 142	(8 929 361)	39 209 781
Structures	14 459 311	(2 328 351)	12 130 960	14 459 311	(1 940 293)	12 519 018
Traffic Management	3 155 175	(1 292 874)	1 862 301	3 143 322	(1 077 004)	2 066 318
Work In Progress	13 179 393	-	13 179 393	7 099 516	-	7 099 516
Landfill Sites	6 393 626	(1 529 864)	4 863 762	6 393 626	(764 932)	5 628 694
Total	**812 846 288**	**(160 611 952)**	**652 234 336**	**790 392 078**	**(132 582 017)**	**657 810 061**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Transfers	Total
Land	148 032 546	-	-	(60 000)	147 972 546
Buildings	7 324 400	-	(270 533)	(45 000)	7 008 867
Plant and Machinery	4 325 647	440 415	(667 403)	-	4 098 659
Furniture and fixtures	1 144 873	16 000	(204 999)	-	955 874
Motor vehicles	2 173 187	406 179	(1 220 899)	-	1 358 467
Office equipment	758 034	2 944 367	(1 061 836)	-	2 640 565
Computer equipment	749 413	294 200	(248 466)	-	795 147
Community	10 506 702	-	(357 838)	-	10 148 864
Connections	4 608 951	-	(245 756)	-	4 363 195
LV Networks	26 357 223	5 819 848	(1 178 580)	-	30 998 491
MV Networks	33 498 111	-	(1 797 717)	-	31 700 394
Public Lighting	5 904 310	-	(388 288)	-	5 516 022
Carriage Way	345 877 124	6 551 470	(17 234 724)	-	335 193 870
Road Furniture	26 213	-	(3 162)	-	23 051
Storm Water Networks	39 209 781	-	(1 785 873)	-	37 423 908
Structures	12 519 018	-	(388 058)	-	12 130 960
Traffic Management	2 066 318	11 854	(215 871)	-	1 862 301
Work In Progress	7 099 516	6 079 877	-	-	13 179 393
Landfill Sites	5 628 694	-	(764 932)	-	4 863 762
	657 810 061	**22 564 210**	**(28 034 935)**	**(105 000)**	**652 234 336**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Disposals	Impairement Loss	Transfer	Total
Land	148 032 546	-	-	-	-	-	148 032 54
Buildings	7 621 600	-	(272 200)	-	(25 000)	-	7 324 40
Plant and equipment	4 833 844	126 555	(622 221)	(12 531)	-	-	4 325 64
Furniture and fixtures	1 215 617	234 465	(204 807)	(100 402)	-	-	1 144 87
Motor vehicles	4 205 080	-	(2 031 893)	-	-	-	2 173 18
Office equipment	2 191 122	130 249	(1 518 282)	(45 055)	-	-	758 03
Computer equipment	998 397	-	(225 775)	(23 209)	-	-	749 41
Community	2 822 867	-	(100 817)	-	(665 999)	8 450 651	10 506 70
Connections	4 854 707	-	(245 756)	-	-	-	4 608 95
LV Networks	27 495 941	-	(1 138 718)	-	-	-	26 357 22
MV Networks	35 295 828	-	(1 797 717)	-	-	-	33 498 11
Public Lighting	6 292 598	-	(388 288)	-	-	-	5 904 31
Carriage Way	363 102 874	-	(17 225 750)	-	-	-	345 877 12
Road Furniture	29 376	-	(3 163)	-	-	-	26 21
Storm Water Networks	40 995 653	-	(1 785 872)	-	-	-	39 209 78
Structures	12 907 077	-	(388 059)	-	-	-	12 519 01
Traffic Management	2 281 719	-	(215 401)	-	-	-	2 066 31
Work In Progress	2 161 607	13 388 560	-	-	-	(8 450 651)	7 099 51
Landfill Sites	6 393 626	-	(764 932)	-	-	-	5 628 69
	673 732 079	**13 879 829**	**(28 929 651)**	**(181 197)**	**(690 999)**	**-**	**657 810 06**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security are R347,549 as disclosed below:

	2015	2014
Motor vehicles	958 795	1 286 824
These were financed by loans in the form of finance leases. The assets secure the loans		

Assets subject to finance lease (Net carrying amount)

	2015	2014
Motor vehicles	958 795	1 286 824

Useful lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 554 827	(891 497)	663 330	1 518 828	(609 770)	909 058

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	909 058	35 999	(281 727)	663 330

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1 150 414	42 940	(284 296)	909 058

Restricted title

There is no restriction on the title of Intangible Assets.

Intangible Assets have finite useful lives and are amortized over the useful lives

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Lekwa Teemane Development Agency (Pty) Ltd		100,00 %	100,00 %	20 100	20 100

The carrying amounts of controlled entities are shown at cost, net of impairment losses, if there are any impairment losses.

Controlled entities pledged as security

There is no controlled entity pledged as security.

8. Other financial assets

	2015	2014
Designated at fair value		
Listed shares	70 304	64 707

	2015	2014
Current assets		
Designated at fair value (Sanlam Shares)	70 304	64 707

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

	2015	2014
Class 1 This comprises of 1 058 shares held in Sanlam. The shares were valued based on the market value of the shares as at 30 June 2015, which was R66.45/share (2014: R61.16)	64 707	64 707

9. Traffic Fines Receivable

	2015	2014
Gross amount receivable	50 753 187	25 749 387
Impairement	(47 313 797)	(25 191 006)
	3 439 390	**558 381**

The impairement of the traffic fines is based on a management estimate determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines

The municipality does not have records for fines issued between July 2013 and December 2013 as the service was contracted out and payment based on receipts only. Management estimated the fines issued between this period by applying the collection rate between January 2014 and June 2014 and extrapolating the potential issued tickest based on the collection rate.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Employee benefit obligations

Defined benefit plan

The defined benefit plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes

The municipality is committed to pay 60% of the members' post employment medical aid contributions up to an amount that is currently capped at R3,618 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 123 in service members and 24 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2015 by One Pangea Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(22 744 000)	(20 585 000)
Non-current liabilities	(21 983 000)	(19 853 000)
Current liabilities	(761 000)	(732 000)
	(22 744 000)	**(20 585 000)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Opening balance	20 585 000	19 310 000
Benefits paid	(936 000)	(765 296)
Net expense recognised in the statement of financial performance	3 095 000	2 040 296
	22 744 000	**20 585 000**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	627 000	732 000
Interest cost	1 828 000	1 427 000
Actuarial (gains) losses	640 000	(118 704)
	3 095 000	**2 040 296**

Calculation of actuarial gains and losses

	2015	2014
Actuarial (gains) losses – Obligation	640 000	(118 704)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,95 %	8,94 %
Consumer price inflation	6,05 %	7,05 %
Health care cost inflation	7,05 %	8,05 %
Net discount rate	0,84 %	0,82 %

Demographic Assumptions: Normal Retirement Age (65 years); Fully accrued age (63 years); Age between husband and wife (Active members - 4 years, Pensioners - actual age used); Proportion married (Active members - 90%, Pensioners - actual married status used)

Decrement Assumptions: Mortality [Active members: SA(85 - 90), Pensioners: PA(90 - 92.

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3 001 000	2 874 000
Effect on defined benefit obligation	25 623 000	21 324 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	22 744 000	20 585 000	19 310 000	23 932 000	18 183 000
Interest cost	1 828 000	1 427 000	2 041 000	1 737 000	1 486 000
Current service cost	627 000	732 000	704 000	596 000	501 000
Expected employer benefits	(936 000)	(765 296)	(726 862)	(724 000)	(621 000)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Multi-Employer and State Plans

The following are the defined benefit plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Gratuity Fund

These are not treated as defined benefit plans as defined by IAS 19,but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.An amount of R3,846,531 (2010: R3,607,691) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

In terms of contributions to the fund, the municipality and employee contributions are as follows:
- SALA Pension Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

Plan Assets

The municipality does not have assets set aside for post employment medical aid benefits fund that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets.

11. Money Market Investments

This relates to money market placements with various financial services institutions. The money is placed on fixed or call accounts. The investment period averages 60 days. The average interest rates for the current year were 6% (2014: 5.45%).

Money Market Investments		
Nedbank (Various Accounts)	77 827	74 087
Absa (Various Accounts)	1 641 699	1 923 725
	1 719 526	**1 997 812**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Inventories

Consumable stores	40 044	-
Water	168 074	191 187
Stands for sale	659 000	659 000
	867 118	**850 187**

12.1 Non - Financial information - Quantities of Water (Kilolitres)

Stoordam Stand	3 402	6 480
Utlwanang	228	247
Bloemhof Reservoirs	7 500	8 125
Bloemhoef Reservoirs	8 125	8 125
Tower Reservoirs	430	500
	19 685	**23 477**

Inventory pledged as security

No inventory was pledged as security for the current and previous year.

13. Trade and other receivables (exchange transactions)

Trade debtors	91 435	146 000
Prepayments	-	64 082
Deposits	29 618	28 000
Other receivables	96 336	477 720
Legal Cases Debtors	452 298	452 298
Provision for Legal Cases	(452 298)	-
	217 389	**1 168 100**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

Possible Fraud Cases

Included in other debtors, is an amount of R255 335 (2014) relating to collections that were made the municipality's appointed auctioneer to seel some of the redudant goods and equipment of the municipality. The auction did not, however, deposit the auction proceeds into the municipality's bank account. A case of fraud has been opened.

14. Receivables from non-exchange transactions

Consumer debtors - Rates	27 193 899	16 324 134
Consumer debtors - Rates Impairement	(24 893 341)	(14 170 054)
	2 300 558	**2 154 080**

Other receivables from non-exchange transactions not impaired

Some of the other receivables from non-exchange transactions were not considered to be impaired. At 30 June 2015, R2,300,558 (2014: R2,154 080) were not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R24,893,340 (2014: R14,170,054) were impaired and provided for.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

14. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	14 170 054	13 858 024
Adjustment to provision for impairment	10 723 286	312 030
	24 893 340	**14 170 054**

15. VAT receivable

VAT	6 235 482	-

The municipality is charged VAT on a cash basis. Thus the VAT 201s are based on amount paid and/or collected. However in the ledger the amounts for output and input VAT are accrued when the transaction occurs.

16. Consumer debtors (exchange transactions)

Gross balances		
Electricity	35 605 409	34 819 500
Water	112 005 862	98 782 567
Sewerage	64 255 216	59 219 817
Refuse	40 965 055	37 396 436
Interest (all Service Charges)	78 307 178	57 496 880
Sundry	4 537 992	4 101 511
	335 676 712	**291 816 711**
Less: Allowance for impairment		
Electricity	(32 593 250)	(30 224 831)
Water	(102 537 006)	(85 753 906)
Sewerage	(58 819 331)	(51 405 361)
Refuse	(37 499 479)	(32 461 723)
Interest (all Service Charges)	(71 682 520)	(49 909 777)
Other (specify)	(4 147 430)	(3 553 920)
	(307 279 016)	**(253 309 518)**
Net balance		
Electricity	3 012 159	4 594 669
Water	9 468 856	13 028 661
Sewerage	5 435 885	7 814 456
Refuse	3 465 576	4 934 713
Interest (all Service Charges)	6 624 658	7 587 103
Sundry	390 562	547 591
	28 397 696	**38 507 193**
Electricity		
Current (0 -30 days)	120 486	91 893
31 - 60 days	60 243	183 787
61 - 90 days	60 243	137 840
>91 days	2 771 187	4 181 149
	3 012 159	**4 594 669**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Consumer debtors (exchange transactions) (continued)

Water

	2015	2014
Current (0 -30 days)	379 045	260 720
31 - 60 days	189 523	521 439
61 - 90 days	189 523	391 080
>91 days	8 710 765	11 855 422
	9 468 856	**13 028 661**

Sewerage

	2015	2014
Current (0 -30 days)	217 435	156 289
31 - 60 days	108 717	312 578
61 - 90 days	108 717	234 434
>91 days	5 001 016	7 111 155
	5 435 885	**7 814 456**

Refuse

	2015	2014
Current (0 -30 days)	138 623	98 694
31 - 60 days	69 312	197 389
61 - 90 days	69 312	148 041
>91 days	3 188 329	4 490 589
	3 465 576	**4 934 713**

Interest (all Services)

	2015	2014
Current (0 -30 days)	264 986	151 742
31 - 60 days	132 493	303 484
61 - 90 days	132 493	227 613
>91 days	6 094 686	6 904 264
	6 624 658	**7 587 103**

Other (specify)

	2015	2014
Current (0 -30 days)	15 203	10 717
31 - 60 days	7 602	21 435
61 - 90 days	7 602	16 067
91 - 120 days	360 155	499 372
	390 562	**547 591**

Reconciliation of allowance for impairment

	2015	2014
Balance at beginning of the year	(248 120 371)	(248 120 371)
Contributions to allowance	(59 158 645)	(5 189 147)
	(307 279 016)	**(253 309 518)**

Consumer debtors pledged as security

No consumer debtors were pledged as security. .

Subsequent Adjustments

The Gross Balances of the consumer debtors have beeb adjusted by receipts of R3 312 208,04 that were received during the year and only identified and allocated after year end and hence could not be adjusted on the Debtors Accounts as at year end.

Fair value of consumer debtors

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Consumer debtors (exchange transactions) (continued)

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R332 172 357 (2014: R267 479 570) were impaired and provided for.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 34). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

17. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Bank balances	-	1 735 276
Bank overdraft	(389 303)	-
	(389 303)	**1 735 276**
Current assets	-	1 735 276
Current liabilities	(389 303)	-
	(389 303)	**1 735 276**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
Absa BANK - Current Account (Account No. 1810000844)	469 154	1 804 947	-	(787 426)	1 425 399	-
Absa BANK - Current Account (Account No. 181046415)	25 734	25 222	-	25 734	25 222	-
Absa BANK - Current Account (Account No. 4059244467)	362 389	280 185	-	362 389	280 185	-
Absa BANK - Current Account (Account No. 4053056975)	10 002	5 508	-	10 002	5 508	-
Total	**867 279**	**2 115 862**	**-**	**(389 301)**	**1 736 314**	**-**

18. Other financial liabilities

	2015	2014
At amortised cost		
ABSA Bank Loans	-	33 384
The loan carry interest at rates varying between 13,41% and 17,47% per annum and are repayable over periods ranging from 4 years upwards. The last loan will be redeemed by 2015. The loan is secured by the municipality's assets. See Note 3 for more information.		
DBSA Loan	5 719 415	5 719 415
The loans relates to various amounts advanced by DBSA for infrustructure assets in prior years.		
District Municipality Loan	-	4 042 000
The loan relates to payments made to the municipality's creditors by the District Municipality in the previous financial periods. The loan is overdue and is interest free.		
	5 719 415	**9 794 799**
Total other financial liabilities	**5 719 415**	**9 794 799**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Other financial liabilities (continued)

Current liabilities		
DBSA and District Municipality	5 719 415	9 794 799

19. Finance lease obligation

Minimum lease payments due		
- within one year	4 756 148	674 774
- in second to fifth year inclusive	5 415 418	316 284
	10 171 566	991 058
less: future finance charges	(7 095 947)	(78 017)
Present value of minimum lease payments	**3 075 619**	**913 041**
Present value of minimum lease payments due		
- within one year	700 530	606 796
- in second to fifth year inclusive	2 375 090	306 246
	3 075 620	**913 042**
Non-current liabilities	2 375 090	306 245
Current liabilities	700 530	606 796
	3 075 620	**913 041**

It is municipality policy to lease certain motor vehicles and equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3-5 years and the average effective borrowing rate was 13% (2014: 13%).

Interest rates are linked to prime at the contract date while some increase by a fixed margin. Motor vehicle leases have fixed repayments and no arrangements have been entered into for contingent rent whilst furniture leases have a variable interest rate. The repayments increase by an average of 13% per year over the three year period.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

20. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	6 185 745	5 035 353
Integrated National Electricity Programme	575 933	10 559
Disaster Management	-	319 690
	6 761 678	**5 365 602**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited;

Notes to the Annual Financial Statements

20. Unspent conditional grants (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Acturial (Gains)/Loss	Current Year Adjustment	Interest Cost	Current Service Costs	Expected Benefits to be Paid	Total
Environmental rehabilitation	6 831 842	-	467 987	-	-	-	7 299 82
Long Service Awards	2 778 000	130 000	-	222 000	234 000	(266 000)	3 098 00
	9 609 842	**130 000**	**467 987**	**222 000**	**234 000**	**(266 000)**	**10 397 82**

Reconciliation of provisions - 2014

	Opening Balance	Actuarial (Gains)/Losses	Current Year Adjustment	Interest Costs	Current Service Costs	Expected Benefits to be paid	Total
Environmental rehabilitation	6 393 626	-	438 216	-	-	-	6 831 84
Long Service Award	2 101 000	568 609	-	157 000	161 000	(209 609)	2 778 00
	8 494 626	**568 609**	**438 216**	**157 000**	**161 000**	**(209 609)**	**9 609 84**

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is supposed to rehabilitate such land upon closure of the dumping site. Provision based on Engineers estimate has been provided.

Long Service Award Provision

The actuarial valuation of the long service award was performed by DT Mureriwa (Fellow of the Actuarial Society of South Africa), on behalf of One Pangea Actuaries (Pty) Ltd.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Lekwa Teemane Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 8.28% (2014: 7.96%), Consumer Price Inflation of 6.01% (2014: 6.33%), Normal Salary Increase of 7.01% (2014: 7.33%) and Net Effective Discount Rate of 1.19% (2014: 0.59%).

22. Trade and other payables (exchange transaction)

	2015	2014
Trade payables	204 980 221	172 700 280
Payments received in advance	3 327 244	3 347 749
Unallocated receipts	495 138	339 926
Other payables	2 121 354	845 538
Accrued leave pay	4 588 710	4 395 337
Accrued bonus	1 037 490	1 036 360
	216 550 157	**182 665 190**

22. Trade and other payables (exchange transaction) (continued)

Fair value of trade and other payables

Trade and other payables have not been fair valued. The main reason for that is the major creditors such as Eskom and Auditor-General of South Africa do charge interest on all outstanding invoices. As such the amount owing is thus the fair value. There is no need to re-discount the amounts so as to determine the fair value.

23. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	70 304	-	70 304
Trade and other receivables from exchange transactions	-	182 089	182 089
Other receivables from non-exchange transactions	-	2 300 558	2 300 558
Consumer debtors	-	28 397 696	28 397 696
	70 304	**30 880 343**	**30 950 647**

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	5 719 415	-	5 719 415
Trade and other payables from exchange transactions	215 781 756	-	215 781 756
Bank overdraft	-	389 303	389 303
Trade and other payables from non exchange transactions	1 101 157	-	1 101 157
	222 602 328	**389 303**	**222 991 631**

2014

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	64 707	-	-	64 707
Trade and other receivables from exchange transactions	-	1 168 100	-	1 168 100
Other receivables from non-exchange transactions	-	2 154 080	-	2 154 080
Consumer debtors	-	38 507 193	-	38 507 193
Cash and cash equivalents	-	-	1 735 276	1 735 276
	64 707	**41 829 373**	**1 735 276**	**43 629 356**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	9 794 799	9 794 799
Trade and other payables from exchange transactions	182 665 190	182 665 190
Trade and other payables (non-exchange)	997 013	997 013
	193 457 002	**193 457 002**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

. **Financial instruments disclosure (continued)**

Financial instruments in Statement of financial performance

2015

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	5 597	277 109	282 706
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(1 146 187)	(1 146 187)
	5 597	**(869 078)**	**(863 481)**

2014

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	14 659	229 241	243 900
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(178 108)	(178 108)
	14 659	**51 133**	**65 792**

24. Consumer deposits

	2015	2014
Electricity, Water and Town Hall Hire	1 101 157	997 013

25. Revenue

	2015	2014
Service charges	114 394 512	109 423 437
Rental of facilities and equipment	785 372	958 938
Vehicle Monies	1 899 171	2 081 382
Interest on debtors	23 312 642	19 021 446
Fair Value Adjustments	2 358 832	1 625 709
Sundry Income	2 815 757	1 057 574
Insurance Claims	4 175 308	-
Interest Income	277 621	229 241
Property rates	12 538 328	13 151 617
Government grants & subsidies	60 838 879	51 841 506
Fines	30 223 400	28 558 536
	253 619 822	**227 949 386**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2015	2014
Service charges	114 394 512	109 423 437
Rental of facilities and equipment	785 372	958 938
Vehicle Monies	1 899 171	2 081 382
Interest on debtors	23 312 642	19 021 446
Fair value adjustments	2 358 832	1 625 709
Sundry Income	2 815 757	1 057 574
Insurance Claims	4 175 308	-
Interest received - investment	277 621	229 241
	150 019 215	**134 397 727**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12 538 328	13 151 617
Transfer revenue		
Government grants & subsidies	60 838 879	51 841 506
Fines, Penalties and Forfeits	30 223 400	28 558 536
	103 600 607	**93 551 659**

Nature and type of services in-kind are as follows:

The municipality offers services in kind to Lekwa Teemane Development Agency. These services include (a) use of the municipality's internet services (b) cleaning of the entity's offices by municipal employees (c) printing services (d) use of offices on a no rental basis.

26. Property rates

Rates received

Residential	12 538 328	13 151 617

Valuations

Residential	759 507 745	759 507 745
Commercial	205 667 200	205 667 200
State	95 127 000	95 127 000
Municipal	70 785 500	70 785 500
Small holdings and farms	985 246 901	985 246 901
Church	27 738 900	27 738 900
Industrial	70 903 000	70 903 000
Vacant Land	19 570 100	19 570 100
Rates Exempt	23 287 200	23 287 200
	2 257 833 546	**2 257 833 546**

A general rate of 33cents (2014: 30cents) per Rand value of land is applied to land values to determine assessment rates. No rebates are granted to any type of property or category of property owners.

Rates are levied on a monthly basis and Interest is levied on overdue amounts.

The general valuation roll was implemented on 01 July 2011.

27. Service charges

Sale of electricity	53 090 920	49 470 243
Sale of water	31 052 060	32 736 253
Sewerage and sanitation charges	17 988 372	16 189 822
Refuse removal	12 263 160	11 027 119
	114 394 512	**109 423 437**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Government grants and subsidies

Equitable share	28 708 000	25 478 000
Expanded Public Works Grants (EPWP)	1 236 000	1 000 000
Finance Management Grant	1 600 000	1 550 000
MIG	13 001 607	16 995 360
Intergrated National Electricty Grant (INEP)	6 634 626	103 045
Library Grant (Dept of Arts, Sports and Culture)	-	606 991
District Municipality (Sewer and Refuse)	319 690	280 310
MSIG	934 000	890 000
Dr Ruth District Municipality	8 000 000	4 500 000
Library Grant	400 000	400 000
LG Seta	4 956	37 800
	60 838 879	**51 841 506**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	24 130 879	21 863 506
Unconditional grants received	36 708 000	29 978 000
	60 838 879	**51 841 506**

Equitable Share

In terms of the Constitution Act, part of this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R120 (2014: R120), which is funded from the grant. An amount of R4 002 000 was withheld bt National Treasury for Equitable Share for the 2014/15 Financial Period .

Financial Management Grant (FMG)

Current year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

The grant was used for operational and capital purposes, which included payment of interns salaries and other budgetary reforms.

Department of Sports, Arts and Culture

Current-year receipts	-	606 992
Conditions met - transferred to revenue	-	(606 992)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was provided for the sole purpose of constructing a library in Ultlwanang. The library has, however, not yet been constructed. The consulting engineers have already been appointed to commence the construction process.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 035 353	5 035 353
Current-year receipts	14 152 000	21 452 000
Conditions met - transferred to revenue	(13 001 608)	(21 452 000)
	6 185 745	**5 035 353**

The grant is used for the construction or resealing of road infrastructure within the municipal boundaries.

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	10 559	113 604
Current-year receipts	7 200 000	-
Conditions met - transferred to revenue	(6 634 626)	(103 045)
	575 933	**10 559**

Conditions still to be met - remain liabilities (see note 20).

The grant was used to finance electricity related transactions or projects in the municipal areas, mainly for RDP Houses.

LG Seta

Current year receipts	4 956	37 800
Conditions met - transfered to revenue	(4 956)	(37 800)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was used for operational purposes.

Disaster Management

Balance unspent at beginning of year	319 690	319 690
Conditions met - transferred to revenue	(319 690)	-
	-	**319 690**

Conditions still to be met - remain liabilities (see note 20).

Expanded Public Works Grant (EPWP_

Current-year receipts	1 236 000	1 000 000
Conditions met - transferred to revenue	(1 236 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) for the cleaning of the municipal surroundings.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Government grants and subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

Current year receipts	940 000	890 000
Conditions met -transferred to revenue	(940 000)	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was meant for system and policy related projects.

District Municipality

Current-year receipts	8 000 000	4 500 000
Current year expenditure	(4 000 000)	(4 500 000)
Amount set off against District Debt	(4 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 20).

The Grant is used to fund general municipal operations.

Library Grant

Current-year receipts	400 000	400 000
Conditions met - transferred to revenue	(400 000)	(400 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

This is a operational grant that is used to assist in the operation of the Library.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

29. Other revenue

Licences and Permits	1 899 171	2 081 382
Interest on Debtors	23 312 642	19 021 446
Fair Value Adjustment	2 358 832	1 625 709
Sundry Income	2 815 757	1 057 574
Insurance Claims	4 175 308	-
	34 561 710	**23 786 111**

Significant amounts included in other revenue arising from exchanges of goods or services are as follows:

Tender Deposit	180 600	30 500
Cemetry Fees	222 210	217 526
Cleaning of Stands	1 163	3 042
Cable Connections	187 870	28 447
Re-opening of graves	2 334	2 325
	594 177	**281 840**

Significant amounts included in other revenue arising from non-exchange transactions is as follows:

Valuation Certificates	16 929	10 843
Clearance Certificates	13 167	12 394
	30 096	**23 237**

Transfers

Healthy Subsidy	28 216	99 069
	58 312	**122 306**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. General expenses

Advertising	403 236	86 728
Auditors remuneration	2 410 993	3 239 612
Bank charges	287 424	275 469
Consulting and professional fees	4 588 056	2 161 520
Consumables	63 868	37 382
Other Expenses	-	259 246
Entertainment	220 192	181 771
Development Agency Assistance	484 633	577 991
Insurance related costs	1 331 893	1 333 533
Community development and training	251 175	132 850
Magazines, books and periodicals	18 322	8 772
Motor vehicle expenses	1 224 904	1 917 419
Pest Control & Poison	-	320
Licensing	332 527	56 083
Postage and courier	12 254	11 411
Printing and stationery	783 011	584 361
Promotions	35 817	67 394
Protective clothing	62 771	202 677
Indigent subsidy	17 681 815	16 096 567
Staff welfare	201 458	-
Subscriptions and membership fees	585 821	533 842
Telephone and fax	401 293	1 008 768
Training	734 089	206 974
Subsistence & Travel	2 235 356	974 397
Plants and seeds	-	10 614
Stock loss	49 239	-
Land Surveyor	-	598 055
Number plates	11 400	18 500
Interest on late payments	5 772 998	3 745 165
Strategic Planning workshop	135 863	-
Stores and material	45 948	22 985
Special programmes	276 390	358 447
Pauper burials	52 339	33 747
Chemicals	1 989 188	2 818 569
Municipal accounts	523 976	306 967
Painting of traffic signs	482 620	275 012
	43 690 869	**38 143 148**

31. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Amortisation on intangible assets	281 727	284 296
Depreciation on property, plant and equipment	28 034 935	29 620 649
Employee costs	52 499 645	51 805 198

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Employee related costs

Basic	25 418 206	22 391 355
Medical aid - company contributions	-	2 293 897
UIF	275 263	266 959
Leave pay provision charge	1 999 216	1 893 931
Post-employment benefits - Pension (Defined contribution plan)	7 385 256	4 768 170
Overtime	2 210 488	2 165 151
Current Service Costs	861 000	893 000
Housing benefits and allowances	804 404	818 212
Transitional Provision - Post Retirement Benefits & Actuarial Gains	3 185 220	6 043 196
Other	-	15 319
Telephone Allowances	219 300	224 300
Interest Cost - Post Retirement Benefit	2 050 000	1 584 000
	44 408 353	**43 357 490**

Remuneration of Municipal Manager

Annual Remuneration	194 184	588 000
Acting Allowance	675 299	-
	-	156 883
Car/Vehicle Allowance	50 000	104 436
Housing Allowance	69 125	108 000
Other	6 000	196 850
	994 608	**1 154 169**

Remuneration of Chief Finance Officer

Annual Remuneration	-	269 707
Housing Allowance	-	104 148
Subsistance and Travel Claims	-	27 389
Car/Vehicle Allowance	-	57 456
Other	-	12 080
Acting Allowance	366 218	-
	366 218	**470 780**

The municipality has not had a permanent Chief Finance Officer for the whole financial period and only an acting allowance has been paid out

Remuneration of Corporate Services Director

Annual Remuneration	468 986	452 443
Housing Allowance	176 697	148 166
Car/Vehicle Allowance	120 000	120 000
Telephone Allowance	14 400	29 373
	780 083	**749 982**

Remuneration of Technical Services Director

Annual Remuneration	535 837	511 179
Housing Allowance	223 882	196 766
Vehicle Allowances	120 000	120 000
Telephone Allowance	14 400	18 086
	894 119	**846 031**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Employee related costs (continued)

Remuneration of Community Services Director

Annual Remuneration	478 957	455 084
Housing Allowance	135 389	166 166
Vehicle Allowance	173 264	120 000
Telephone Allowance	14 400	17 700
	802 010	**758 950**

33. Remuneration of councillors

Mayor's allowance	171 456	838 714
Councillors allowances	4 082 798	3 629 082
	4 254 254	**4 467 796**

In-kind benefits

The Executive Mayor is part-time. He is provided with an office and secretarial support at the cost of the Council.

34. Debt impairment

Increase in provision for bad debts	87 267 875	80 996 045

35. Investment revenue

Interest revenue		
Bank	36 715	21 958
Money Market Investments	240 906	207 283
	277 621	**229 241**

36. Depreciation and amortisation

Property, plant and equipment	28 034 935	29 620 649
Intangible assets	281 727	284 296
	28 316 662	**29 904 945**

37. Finance costs

Non-current borrowings	1 145 638	174 226
Other interest paid	549	3 882
	1 146 187	**178 108**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 1 146 187 (2014: R 178 108).

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

38. Auditors remuneration

Fees	2 410 993	3 239 612

39. Contracted services

Other Contractors	6 834 346	6 845 190

40. Bulk purchases

Electricity	40 258 247	37 071 052
Water	14 616 092	13 941 028
	54 874 339	**51 012 080**

41. Cash generated from operations

Deficit	(35 260 748)	(35 767 324)
Adjustments for:		
Depreciation and amortisation	28 316 662	29 904 945
Fair value adjustments	(2 357 943)	(1 625 709)
Interest income	(23 312 642)	(19 021 446)
Debt impairment	87 267 875	80 996 045
Movements in operating lease assets and accruals	(2 881 010)	(558 381)
Movements in retirement benefit assets and liabilities	2 159 000	4 676 514
Movements in provisions	787 987	3 961 836
Other Non Cash Items	(15 886 888)	(30 166 596)
Changes in working capital:		
Inventories	(16 931)	90 011
Trade and other receivables (exchange transactions)	950 711	4 746 908
Consumer debtors	(43 860 001)	(77 158 378)
Other receivables from non-exchange transactions	(146 478)	(821 799)
Trade and other payables (exchange transaction)	33 884 967	56 876 119
VAT	(10 375 008)	(4 576 229)
Unspent conditional grants	1 396 076	3 466 294
Movement in Consumer deposits	104 144	(86 804)
	20 769 773	**14 936 006**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	10 006 076	7 117 034
Not yet contracted for but authorised by accounting officer		
• Property, plant and equipment	17 084 400	35 208 050
Total capital commitments		
Already contracted for but not provided for	10 006 076	7 117 034
Not yet contracted for and authorised by accounting officer	17 084 400	35 208 050
	27 090 476	**42 325 084**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	235 740	123 600

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancellable and have varying tenures. There are no contingent rents receivable.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Contingencies

(a) The claim results from injuries sustained by the palintiff when she alegedly fell in an open man hole in Bloemhof. The matter was brought to trial in December 2014. The municipality was summoned for R50 000.

(b) The claim relates to the plaintiff whose vehicle was damaged forthcoming a collision with a stray cattle allegedly coming from municipal land. The case is in its early stages but the municipality will defend this matter.

(c) B Stevens: Summons were issued against the Municipality as a result of the alleged failure of the Municipality to pay over insurance premiums to Metropolitan whereof the plaintiff allegedly suffered damages in the amount of R42,500.

(d) Phenominal Projects represented by Van der Merwe Attorneys alleges that the Municipality owes them an amount of R851,746.60 for services rendered. The Municipality still owes Phenominal Projects money but disputes the amount. .

(c) Some of the municipality's officials have leave days which are more than 48 days. In terms of the Basic Conditions of Employment, a municipal official can only accrue up to a maximum of 48 days. However, there may be reasons for the accrual of more than the prescribed limits. In such cases, on resignation/retirement etc some or all of such employees may be paid their excess leave days. In lieu of this, the municipality has a contingent liability relating to the excess leave days (days above the prescribed 48 days). As at 30 June 2014, the amount relating to the excess days was R3,851,911.

Contingent liabilities - Environmental Act

In terms of the Environmental Act, the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This gives rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrence, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.

44. Related parties

Relationships	
Key Management	Refer to note 32
Controlled entities	Refer to note 7

Apart from the foregoing, there are no other known related party transactions that took place during the year.

Related Party Transactions

	2015	2014
Amounts included in Trade Payable regarding related parties		
Lekwa Teemane Development Agency (Pty) Ltd	352 244	367 000
Amount included in General Expenses		
Lekwa Teemane Development Agency (Pty) Ltd	484 633	623 592

This relates to funding provided to Lekwa Teemane Development Agency (Pty) Ltd as the municpality's contribution towards the agency's operations. The funding was at an arms length basis/transaction.

45. Prior Year Errors

Certain comparatives have been corrected due to errors relating to the previous financial year. The following is an analysis of the prior year errors.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior Year Errors (continued)

	2015	2014
Statement of Financial Performance		
Please Refer to Information in the Tables Below	1	-
Statement of Financial Position		
Trade and Other Payables	(8 225 552)	-
Provisions	3 043 284	-
Trade and Other Receivables	299 673	-
Other Interest and Non-Interest Bearing Liabilities	5 719 515	-
Traffic fines Receivable	(558 381)	-
Trade and Other Receivables Non Exchange	596 397	-
Consumer debtors	5 189 147	-
Investment Property	(943 000)	-
Property Plant and equipment	9 449 432	-
Intangible asset	33 550	-
VAT Payable	(76 770)	-
	14 527 295	**-**
State of Financial Performance		
Traffic Fines	25 749 386	-
Fair Value Adjustment	278 084	-
Depreciation	1 280 879	-
Debt Impairement	(30 976 549)	-
	(3 668 200)	**-**

Increase in Consumer Deposits: This was mainly caused consumer deposit that was erroneously recognised as Rental of Hall in the prior year.

Increase in Provisions: This relates to the recognistion of Landfill Sites that was recognised for the first time in the financial year. The amount also includes Interest Unwound.

Increase in Accumulated Surplus: This relates to the net increase in the Statement of Financial Position and the Statement of Financial Performance.

Net Decrease in Service Charges: This mainly relates to prior year errors in wtater and electricty charges. The errors covers incorrect billings and proportion of income billings to adjust for the billing cysles.

Decrease Rental of facilities and Equipment: This relates Town hall Deposits that had erroneously been recognised as rent income in the prior year.

Decrease in Financial Instrument - Fee Income: This relates to income for the 2012 period that was erroneously recognised as income for the 2013 financial period.

Increase in Fair Value Adjustments: This relates to prior year amounts of land and buildings that had erroneously been recognised as Property, Plant and Equipment in the prior year instead of Investment Property.

Notes to the Annual Financial Statements

Figures in Rand		2015	2014

45. Prior Year Errors (continued)

EXPENDITURE. (1) Increase in Personnel Costs: Mainly due to errors in the salaries recognised in the prior year and recognition of Leave Bonus not recognised in the prior year; **(2) Increase in Depreciation:** Mainly due to depreciation relating to Landfill Site recognised for the first time this year but retrospectively and correction of prior year depreciation of other assets; **(3) Increase in Finance Costs:** This was due to errors in the interest for loans and other interest bearing liabilites for June paid in July 2013. The amounts had not been recognised as at 30 June 2013; **(4) Decrease in Debt Impairment:** This was mainly due to the fact that the provision for bad debts was recalculated after allocating all the previous years unkown deposits. This significantly increased the collection rate and payment history of most of the consumers whose entire balances had been fully provided for; **(5) Increase in Repairs and Maintanance:** This was due to invoices that had erroneously been omited in the prior years; **(6) Decrease in Advertising:** This was mainly due to duplication of prior year invoice; **(7) Decrease in Auditors Remuneration:** Caused by the overstatement of prior year amount for audit fees accrued; **(8) Net Loss on sale of Assets:** This was caused by the fact that there were land and buildings sold in the prior year but were ommited in the financial statements. Payment for these was effected in the current year; **(9) Increase in Municipal Charges:** This was due to the non-accrual (in the prior year) of some invoices for electricity; **(10) Other Expenses:** Relates to invoices not accrued in the prior year.

46. Risk management

General Objectives, Policies and Processes

The municipality’s activities expose it to a variety of financial risks namely market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Council has the overall responsibility for the determination of the municipalitys’ risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The municipality's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipalitys’ competitiveness and flexibility. Further details regarding these policies are set out below:

The gearing ratio at 2015 and 2014 respectively were as follows:

Total borrowings			
Finance lease obligation	19	3 075 620	913 041
Other financial liabilities	18	5 719 415	9 794 799
		8 795 035	**10 707 840**
Less: Cash and cash equivalents	17	(389 303)	1 735 276
Net debt		9 184 338	8 972 564
Total equity		455 298 160	509 641 191
Total capital		**464 482 498**	**518 613 755**

46. Risk management (continued)

Market Risk

Market risk arises from the Municipalitys' use of interest bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk.

The Municipality is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently the municipality policy that all of the municipalitys' borrowings (including short-term overdraft facilities and finance lease payables) are at floating rate of borrowings. Further, all of the municipalitys' borrowings are denominated in South African Rands. Although Council accepts that this policy neither protects the municipality entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The municipality analyses the interest rate exposure on a regular basis, at minimum annually. However, sensitivity analysis where simulations are used is not performed. The level of the municipalitys borrowings does not warranty performance of this (cost benefit analysis). Further, the municipality does not have the competences to perform such analysis and also believes that the non-performance of such analysis does not negatively expose it to huge interest rate risk exposure. Thus, because simulations are not performed the impact on surplus or deficits and net assets of any basis-point shift (based on the maximum reasonable expectation of changes in interest rates) cannot be determined.

Liquidity risk

Liquidity risk arises from the municipalitys' management of working capital, finance charges and principal repayments on its debt instruments. It is the risk that the municipality will encounter difficulty in meeting its financial obligations as they fall due. The municipalitys' policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period long enough to cover the obligations. The municipality also seeks to reduce liquidity risk by using floating interest rates (and hence cash flows) on all its long-term borrowings. This is further discussed in the 'interest rate risk' section. Council receives cash flow projections on a regular basis as well as information regarding cash balances and (as noted above) the value of the municipalitys' investments. At the end of the financial year, these projections indicated that the municipality expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed R1, 000,000 overdraft facility. However, in the prior period, the municipality did not have enough reserves to meet all its obligations. The liquidity risk of the municipal entity is also managed by the parent municipality. Where the municipal entity need facilities, approval must be sought from the Accounting Officer. Where the amount of the facility is above a certain level, agreement of the board is needed.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For trade payables, they are due and payable on receipt of the invoice. Thus, in the absence of any other arrangements, all balances due as at year end are disclosed in the "Less than 1 Year" column.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

46. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The municipality is mainly exposed to credit risk from credit sales and placement with financial institutions. It is the municipalitys' policy to assess the credit risk of new counterparts, where possible, before entering contracts. Due to the nature of most our customers, credit limits and ratings for such customers cannot be done.

To mitigate some of the credit risks relating to our consumers, disconnections and restricting the flow of water are used as mechanisms to encourage the consumers to settle their debt. Consumers' accounts are monitored on a monthly basis. In terms of the existing legislation, the municipality has limited options in this regards.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only reputable institutions are used. The municipalty does not, however, request for credit ratings.

The municipality does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 14 and Note 16.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Other financial assets	70 304	64 707
Trade and other receivables (exchange transactions)	35 641 001	24 558 119
Receivables from non-exchange transactions	22 272 836	13 858 024
Consumer debtors	332 561 230	291 816 711
Money market investments	1 719 326	1 997 812
Cash and cash equivalents	867 278	1 735 276

Cash and cash equivalents: A significant amount of cash is held with ABSA, who are the municpality's main bankers.

47. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a deficits of R35 260 748 (2014: R35,767,324) and current liabilities exceeded current assets by R188,735,976 (2013: R157,265,190) during the current year. This poses a greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of business.

In order to mitigate these negative effects, the municipality is in the process of implementing the following measures, some of which the work has commenced:

- Appointed consultants to perform Revenue Enhancement Strategies and Installation of Pre-paid Automatic Meter Reading, whose results are expected to yield positive results. The consultants have already commenced their work. Further, the appointment of Debt Collectors during the ensuing financial period will further enhance the municipality's mitigating measures regarding these going concern challenges.
- Implementing cost reflective prices and cost cutting measures.;
- Implementation of the new valuation roll from the 1st of July 2016. This will greatly improve the municipality's income stream as property rates will be levied on market values.
- Recognition of the municipality's Investment Properties at the current market values based on the new valuation roll in the ensuing financial period. This will greatly improve the balance as these assets are recognised at normal/historical amounts, some of which were determined more than 15 years ago.
- Unbundling and valuation of infrastructure in the ensuing financial period.
- Continued support from National Treasury and other government departments (national or provincial) as the municipality is a public entity. This will be further coupled by the MISA Programme, which has already commenced.

48. Events after the reporting date

There were no material matters or circumastances subsequent to balance sheet date.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

49. Unauthorised expenditure

Opening Balance	91 777 240	61 310 566
Debtors Impairement	41 012 875	-
Depreciation	-	18 317 582
Audit Fees	43 457	1 126 072
Bank charges	-	43 149
Development Agency - Municipal Contribution	174 927	213 191
Interest on late payments	1 062 998	3 745 165
EPWP Expenditure	-	666 426
Post Retirement Medical Aid & Long Service Awards	3 776 296	6 355 089
Finance Cost	720 938	-
Repairs and maintenance	57 549	-
Service contracts	129 346	-
Advertising	930	-
Electricity	40 894	-
Sundries	9 074 047	-
Water	23 114	-
Inventory write off	49 239	-
Medical aid	200 427	-
Telephone allowance	7 258	-
Public entertainment	903	-
	148 152 438	**91 777 240**

Unauthorised expenditure has not yet been condoned by Council. A full report will be submitted to Council for considerations. Council recommendations will then taken into account when the deliberations and/or investigations are concluded.

50. Fruitless and wasteful expenditure

Opening Balance	13 361 308	9 616 143
Interest on late payment	5 772 998	3 745 165
	19 134 306	**13 361 308**

Interest on Late Payment: This relates to interest charged on late payments of VAT to SARS and other creditors. Measures are in place to avoid these charges in future.

Fruitless and wasteful expenditure will be presented to Council for consideration of condement.

51. Irregular expenditure

Balance at the Beginning of the year	47 577 444	32 948 693
Add: Irregular Expenditure - current year	12 216 969	15 490 963
	59 794 413	**48 439 656**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

51. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
JCS Construction	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	1 228 489
CMS Water Engineering	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	616 063
Aqua Agri Solutions	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	2 315 915
Nexiware	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	458 895
Accomodation and Catering	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	850 256
IT Equipment and Maintenance	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	362 372
Other General Expenses with various suppliers	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	6 384 979
		12 216 969

52. Additional disclosure in terms of Municipal Finance Management Act

Distribution losses

	2015	2014
Electricity (kilowats per hour)	9 664 890	15 802 680
Purified Water	9 340 501	2 119 710
	19 005 391	**17 922 390**

Distribution losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. During the year 9 664 890 (2014: 15 802 680 kilowatts per hour were lost. This represented 32% (2014: 28%) of the electricity purchases for the year, which has been included in bulk purchases. Whilst this is not a desirable feature, the level of the distribution losses are well within the acceptable norms.

The distribution losses for water relates to both water that is lost as Raw and Purified. **(a) Raw Water:** This is lost during the water treatment or purification i.e. between the inlet of raw waterand outlet of purified water. Most of it relates to normal losses during the purification process as there are activities such as backwash, which have to be performed so as to clean the filters. During the year, these losses amounted to 718 (2014: 688) mega litres, which is about 8% (2014: 7%) of the raw water purchased **(b) Purified Water**: This is lost during distribution processes to the consumers. Most of this is caused by burst pipes as greater component of the municipality's water infrastructure network is relatively old. During the year, the losses amounted to 9 340 501 (2014: 2 120) megalitres, which constitutes about 59% (2014: 22%) of the purified water.

Distribution Losses in Rand Values	**2015**	**2014**	**Total**
Water	87 228 336	22 309 117	109 537 453
Electricity	14 883 930	21 649 672	36 533 602
	102 112 266	**43 958 789**	**146 071 055**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	10 480 347	7 240 735
Current year fees	3 558 243	3 239 612
Payments Made	(1 434 564)	-
	12 604 026	**10 480 347**

PAYE and UIF

Opening balance	3 512 105	-
Current year charges	5 979 530	5 319 149
Amount paid	(3 675 000)	(1 807 044)
	5 816 635	**3 512 105**

Pension and Medical Aid Deductions

Opening balance	284 743	256 785
Current year deductions	2 745 123	2 612 015
Amount paid - current year	(2 947 512)	(2 584 057)
	82 354	**284 743**

VAT

VAT receivable	6 235 482	-
VAT payable	-	4 139 526
	6 235 482	**4 139 526**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor K. Palagangwe	242	-	242
Councillor K. Palagangwe	621	-	621
Councillor I. M. Snyman	1 107	-	1 107
Councillor A. Buys	7 177	186 313	193 490
Councillor G. Pencil	2 063	19 160	21 223
Councillor F. Moleta	1 717	41 638	43 355
Councillor L. Segola	1 672	9 302	10 974
Councillor J. Joseph	1 581	1 581	3 162
Councillor M. Majikela	1 037	4 184	5 221
Councillor P. Modise	223	-	223
Councillor T. Mokgosi	2 372	-	2 372
Councillor K Moepeng	9 879	9 424	19 303
Councillo I. Mabala	9 130	34 723	43 853
	38 821	**306 325**	**345 146**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor I. Mabala	2 048	27 704	29 752
Councillor R. M. Makodi	2 073	3 183	5 256
Councillor K. Palagangwe	2 147	51 365	53 512
Councillor T. Mokgosi	306	4 833	5 139
Councillor A. Buys	14 556	151 320	165 876
Councillor G. Pencil	1 897	14 501	16 398
Councillor J. Segola	2 249	12 398	14 647
Councillor D. J. Muller	4 343	-	4 343
Councillor F. Moleta	2 433	35 060	37 493
Councillor A N Ngesi	940	5 842	6 782
Councillor J Joseph	1 127	8 936	10 063
Councillor M Majikela	163	10 593	10 756
Councillor P. Modise	2 148	18 738	20 886
Councillor Snyman	3 631	-	3 631
	40 061	**344 473**	**384 534**

53. Utilisation of Long-term liabilities reconciliation

	2015	2014
Long-term liabilities raised	5 719 415	9 794 799

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Due to the municipality's cashflow challenges, no cash has been set aside to repay long-term liabilities.

54. Deviation from supply chain management regulations

The municipality entered into a contract with Mhlopha Security Services cc to provide security services to all municipal properties (both in Bloemhoef and Christiana) from the 1st of December 2012 to 30 November 2014. The company will also install security cameras and alarm systems in the main municipal buildings in Christiana and Bloemhoef. The deviation from supply chain management policy was approved by the Accounting Officer in terms of the MFMA and SCM Guidelines.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

55. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

56. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

57. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation. The key assumptions used are disclosed in note 9. (3) Amounts based on the transactions or balances relating to those disclosed under Accounting Policy 1.1.

Traffic fines issued for the period between July 2013 up to Dececmber 2013 were estimated based on the collection rate and fines issued between January 2014 and June 2014. There were no records available for the actual fines issued for this period as an external service provider was used and paid on the basis of receipts only.

Lekwa Teemane Local Municipality
Appendix A
June 2015

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Rand	Rand
Annuity Loans								
ABSA	3022397824	01/07/2014	33 384	-	33 384	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			33 384	**-**	**33 384**	**-**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**
Lease Liability								
ABSA	80561690	01/01/2016	641 782	-	392 629	249 153	-	-
ABSA	82846927	01/09/2015	178 213	-	140 704	37 509	-	-
ABSA	82846803	01/09/2015	93 046	-	73 462	19 584	-	-
BLAQ.M		08/11/2017	-	2 880 418	111 044	2 769 374	-	-
			-	-	-	-	-	-
			913 041	**2 880 418**	**717 839**	**3 075 620**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**
Lease liability								
ABSA	80561690		997 197	-	355 414	641 783	-	-
Office Equipment			1 443 413	-	1 443 413	-	-	-
ABSA	82846927		305 901	-	127 688	178 213	-	-
ABSA	82846803		159 713	-	66 667	93 046	-	-
			-	-	-	-	-	-
			2 906 224	**-**	**1 993 182**	**913 042**	**-**	**-**

Lekwa Teemane Local Municipality
Appendix A
June 2015

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Rand	Rand
Annuity loans								
ABSA	3022397824		415 787	-	382 403	33 384	-	-
DR RUTH DISTRICT MUNICIPALITY			4 042 000	-	-	4 042 000	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			4 457 787	**-**	**382 403**	**4 075 384**	**-**	**-**
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Annuity Loans			33 384	-	33 384	-	-	-
			-	-	-	-	-	-
Lease Liability			913 041	2 880 418	717 839	3 075 620	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
Lease liability			2 906 224	-	1 993 182	913 042	-	-
Annuity loans			4 457 787	-	382 403	4 075 384	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
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Lekwa Teemane Local Municipality
Appendix A
June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015		
		Rand	Rand	Rand	Rand	Rand	Rand
		8 310 436	**2 880 418**	**3 126 808**	**8 064 046**	**-**	**-**

Appendix C

June 2015

Segmental analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment deficit Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality														
Executive & Council/Mayor and Council	86 494 595	379 092	-	-	-	**-**	**86 873 687**	(4 323 455)	-	-	(537 405)	-	**(4 860 860)**	82 012 827
Finance & Admin/Finance	4 474 882	379 092	-	-	-	**-**	**4 853 974**	(2 711 240)	-	-	(2 195 962)	-	**(4 907 202)**	(53 228)
Community Services	32 663 827	379 092	-	-	-	**-**	**33 042 919**	(5 735 365)	-	-	(1 394 905)	-	**(7 130 270)**	25 912 649
Technical Services	559 313 146	21 047 842	-	(110 000)	-	**-**	**580 250 988**	(116 409 717)	-	5 000	(22 741 643)	-	**(139 146 360)**	441 104 628
Corporate Services	4 474 882	379 092	-	-	-	**-**	**4 853 974**	(2 711 240)	-	-	(1 165 020)	-	**(3 876 260)**	977 714
Housing	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Public Safety/Police	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Sport and Recreation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Environmental Protection/Pollution Control	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Waste Water Management/Sewerage	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Road Transport/Roads	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Water/Water Distribution	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Electricity /Electricity Distribution	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other/Air Transport	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	687 421 332	**22 564 210**	**-**	**(110 000)**	**-**	**-**	**709 875 542**	**(131 891 017)**	**-**	**5 000**	**(28 034 935)**	**-**	**(159 920 952)**	**549 954 590**
Municipal Owned Entities														
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Total														
Municipality	687 421 332	22 564 210	-	(110 000)	-	**-**	**709 875 542**	(131 891 017)	-	5 000	(28 034 935)	-	**(159 920 952)**	549 954 590
Municipal Owned Entities	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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Appendix C
June 2015

Segmental analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
687 421 332	**22 564 210**	**-**	**(110 000)**	**-**	**-**	**709 875 542**	**(131 891 017)**	**-**	**5 000**	**(28 034 935)**	**-**	**(159 920 952)**	**549 954 590**

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	National Treasury	12 948	9 033	-	-	-	-	7 177	7 177	7 177	7 177	-	4 002	-	-	-	Unsettled Eskom Debt	Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal Infrustructure Grant	National Treasury	400	-	10 152	-	-	-	3 250	3 250	3 250	3 251	-	-	-	-	-		Yes	
Finance Management Grant	National Treasury	1 600	-	-	-	-	-	400	400	400	400	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant	National Treasury	934	-	-	-	-	-	234	233	234	233	-	-	-	-	-		Yes	
Intergrated National Electrification Programme	National Treasury	5 000	2 200	-	-	-	-	1 657	1 657	1 657	75 372	-	-	-	-	-			
EPWP	National Treasury	94 000	71 000	71 000	-	-	-	309	309	309	309	-	-	-	-	-			
Library Grant	Department of Arts Sport and Culture	-	400	-	-	-	-	-	200	100	100	-	-	-	-	-			
District Equitable Share	Dr Ruth Mompati District Municipality	4 000	4 000	-	-	-	-	2 000	2 000	2 000	2 000	-	-	-	-	-			
		18 882	86 633	81 152	-	-	-	15 027	15 226	15 127	88 842	-	4 002	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.